

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE Q - RETIREMENT PLANS (continued)

Funding Policy

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Annual Pension Cost

The normal cost and amortization payment for the fiscal year ended December 31, 2005 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The Road Commission was required to contribute \$253,725 for the year ended September 30, 2006. Payments were based on contribution calculations made by MERS.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended</u> <u>September 30,</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>of APC</u> <u>Contribution</u>	<u>Pension</u> <u>Obligation</u>
2003	\$ 176,935	100%	\$ -
2004	243,432	100%	-
2005	253,725	100%	-

Required Supplementary Information for GASB Statement No. 27

<u>Valuation</u> <u>Date</u> <u>December 31,</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a %</u> <u>of Covered</u> <u>Payroll</u>
2003	\$ 6,144,712	\$ 8,515,786	\$ 2,370,774	72%	\$ 1,276,177	186%
2004	6,305,405	9,196,675	2,891,270	69%	1,416,124	204%
2005	6,424,004	9,603,356	3,179,352	67%	1,258,646	253%

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE Q - RETIREMENT PLANS (continued)

Schoolcraft Memorial Hospital - Component Unit

The Hospital sponsors a defined benefit plan through participation in the Michigan Municipal Employee's Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers full-time employees of the Hospital hired before February 17, 1999, who did not elect to change to the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

Benefits provisions of MMERS, and employer and employee obligations to contribute are outlined in ACT No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of investments over a 10-year period.

The Hospital's contributions to the defined benefit plan amounted to \$207,774 for the year ended December 31, 2005.

The following table summarizes the benefit obligation, the fair value of assets, and the funded status of the plan as of the end of the plan years December 31, 2004, the last plan measurement date available:

	<u>2004</u>
Projected benefit obligation	\$ (14,101,294)
Fair value of plan assets as of December 31	<u>11,942,778</u>
Funded status at December 31	<u>\$ (2,158,516)</u>

The plan's current accumulated benefit obligation was \$10,977,146 at December 31, 2004, the plan measurement date. Fair value of plan assets exceeded the accumulated benefit obligation at December 31, 2004.

The amount of required contributions and benefits paid from the plan is as follows for the plan years ended December 31, 2004:

	<u>2004</u>
Annual contributions	236,634
Benefit payments	537,967

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE Q - RETIREMENT PLANS (continued)

The assumptions used in the measurement of the Hospital's benefit obligation are shown in the following table:

	<u>2004</u>
Discount rate	8.00%
Expected return on plan assets	8.00%
Rate of compensation increase	4.5% - 12.90%

The Hospital also sponsors a defined contribution plan covering all employees hired after February 17, 1999, and all other employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute 5% of their gross earnings and the Hospital contributes 3% match for participants. The Hospital's contribution totaled \$191,446 for the year ended December 31, 2005.

NOTE R - DESIGNATED FUND BALANCE AND RESERVE RETAINED EARNINGS

Various county funds have designated fund balance and retained earnings for cash restricted for various purposes. See Note - E "Restricted Cash", for these specified purposes.

NOTE S - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

NOTE T - RISK MANAGEMENT

The County of Schoolcraft participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE T - RISK MANAGEMENT (continued)

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000 per person and \$250,000 per occurrence. The limits on vehicle physical damage are \$1,500,000. The retention limits for property coverage are subject to a \$250 deductible. Some members have individual retention levels different than the ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the member's self-insured retention. The member's self-insured retention and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the member's self-insured retention and the Limits of Coverage.

Schoolcraft County agrees to maintain, at all times, on account with MMRMA, sufficient funds to pay its self-insured retention obligations. The member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the member's self-insured retention.

At September 30, 2006, the County had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE U – RESTRICTED NET ASSETS

Total net assets which are restricted by enabling legislation amounted to \$1,111,482 for governmental activities and \$1,596 for business-type activities.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 1,802,518	\$ 1,813,190	\$ 1,903,935	\$ 90,745
License and permits	12,300	12,470	9,221	(3,249)
Federal sources	115,000	127,173	126,829	(344)
State sources	332,451	347,603	164,073	(183,530)
Charges for services	372,098	378,626	366,697	(11,929)
Interest and rentals	35,000	76,600	85,570	8,970
Other	487,179	569,157	557,038	(12,119)
Total revenues	3,156,546	3,324,819	3,213,363	(111,456)
EXPENDITURES:				
Legislative:				
Board of commissioners	66,790	62,890	62,876	14
County memberships	25,070	25,016	25,016	-
Judicial system:				
Circuit court	117,928	154,285	154,274	11
District court	169,224	224,574	224,555	19
Friend of court	99,894	122,110	122,101	9
Jury commission	1,820	2,169	2,165	4
Probate court	107,772	124,734	124,729	5
Juvenile court	41,989	74,329	74,323	6
Prosecuting attorney	170,870	177,544	177,538	6
General government:				
Elections	8,500	12,401	12,400	1
Audit	28,500	26,000	26,000	-
Clerk	230,111	233,179	233,171	8
Equalization	144,420	141,471	141,465	6
Surveyor	2,500	6	6	-
Treasurer	197,516	205,024	205,016	8
Cooperative extension	71,585	64,290	64,287	3
Building and grounds	329,929	349,053	344,326	4,727
Drain commissioner	5,719	6,076	6,074	2
Planning and zoning	8,789	6,662	6,654	8
Copy machines	13,000	10,254	10,252	2
Recreation and cultural:				
Parks	3,319	-	-	-
Public safety:				
Sheriff's administration	72,495	67,980	67,975	5
Search and rescue	-	25	25	-
County jail	618,363	729,819	729,809	10
Animal control	2,053	419	417	2
Risk control safety commission	1,171	1,011	1,008	3
Health and welfare:				
Medical examiner	6,000	11,019	11,019	-
Veteran's counselor and burials	22,759	24,050	24,046	4
Other - appropriations	500	174	116,884	(116,710)

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Debt service:				
Principal payments	-	-	4,280	(4,280)
Interest and fiscal charges	-	-	438	(438)
Other:				
Insurance liability	180,684	71,223	71,221	2
Unemployment	10,000	10	10	-
Workmen's compensation	3,000	-	-	-
Other	17,433	22,878	19,679	3,199
Total expenditures	2,779,703	2,950,675	3,064,039	(113,364)
Excess revenues (expenditures)	376,843	374,144	149,324	(224,820)
OTHER FINANCING SOURCES (USES):				
Other	(75,000)	(29,409)	(60,000)	(30,591)
Sale of fixed assets	-	801	801	-
Transfer in	125,421	232,653	269,043	36,390
Transfer out	(427,264)	(578,189)	(400,433)	177,756
Total other financing sources (uses)	(376,843)	(374,144)	(190,589)	214,146
Net changes in fund balances	-	-	(41,265)	(10,674)
Fund balances - beginning	183,852	183,852	183,852	183,852
Fund balances - ending	\$ 183,852	\$ 183,852	\$ 142,587	\$ 173,178

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REVENUE SHARING RESERVE FUND
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 431,614	\$ 431,614	\$ 431,614	\$ -
Interest and rentals	10,000	10,000	5,443	(4,557)
Total revenues	441,614	441,614	437,057	(4,557)
EXPENDITURES:				
Health and welfare	10,000	10,000	-	10,000
Excess revenues (expenditures)	431,614	431,614	437,057	5,443
OTHER FINANCING SOURCES				
(USES):				
Transfer in	(431,614)	(431,614)	(162,170)	269,444
Net changes in fund balances	-	-	274,887	274,887
Fund balances - beginning	241,223	241,223	241,223	241,223
Fund balances - ending	\$ 241,223	\$ 241,223	\$ 516,110	\$ 516,110

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
911 TELEPHONE

For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
State sources	\$ 63,662	\$ 64,013	\$ 91,960	27,947
Local sources	38,752	39,440	40,154	714
Other	456.00	456	-	(456)
Total revenues	102,870	103,909	132,114	28,205
EXPENDITURES:				
Public safety	102,870	106,834	90,518	16,316
Excess revenues (expenditures)	-	(2,925)	41,596	44,521
OTHER FINANCING SOURCES				
(USES):				
Transfer in	-	2,925	-	(2,925)
Net changes in fund balances	-	-	41,596	41,596
Fund balances - beginning	408,070	408,070	408,070	408,070
Fund balances - ending	\$ 408,070	\$ 408,070	\$ 449,666	\$ 449,666

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MEDICAL CARE FACILITY IMPROVEMENT FUND
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
Interest and rentals	\$ 2,000	\$ 2,000	\$ 9,326	\$ 7,326
EXPENDITURES:				
Other	-	-	-	-
Excess revenues (expenditures)	2,000	2,000	9,326	7,326
OTHER FINANCING SOURCES				
(USES):				
Transfer in	-	59,861	24,000	(35,861)
Transfer out	-	(59,861)	(59,860)	1
Total other financing sources	-	-	(35,860)	(35,860)
Net changes in fund balances	2,000	2,000	(26,534)	(28,534)
Fund balances - beginning	519,445	519,445	519,445	519,445
Fund balances - ending	\$ 521,445	\$ 521,445	\$ 492,911	\$ 490,911

COMBINING FUND FINANCIAL STATEMENTS

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

Special Revenue Funds

	Brownfield Grant	Parks & Recreation	Drug & Alcohol Enforcement	Friend of the Court
ASSETS				
Cash and equivalents:				
Restricted	\$ -	\$ 164	\$ -	\$ -
Unrestricted	-	-	1,106	7,781
Receivables:				
State of Michigan	-	-	-	5,514
Accounts	-	-	-	-
Accrued interest	-	-	-	28
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	861
Total assets	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 1,106</u>	<u>\$ 14,184</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,024	\$ -
Due to other funds	-	89	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	87	-	707
Total liabilities	<u>-</u>	<u>176</u>	<u>1,024</u>	<u>707</u>
Fund balances:				
Reserved for:				
Prepaid items	-	-	-	861
Unreserved:				
Designated	-	-	-	-
Undesignated	-	(12)	82	12,616
Total fund balances	<u>-</u>	<u>(12)</u>	<u>82</u>	<u>13,477</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 1,106</u>	<u>\$ 14,184</u>

See accompanying notes to financial statements

Special Revenue Funds

<u>Probation Oversite</u>	<u>Family Counseling Services</u>	<u>Survey and Remonumen- tation</u>	<u>Homestead Property Tax Audit</u>	<u>Register of Deeds Automation</u>	<u>Budget Stabilization</u>	<u>Emergency Management</u>
\$ - 7,093	\$ - 6,196	\$ - (26,466)	\$ - 7,832	\$ - 5,631	\$ - 971	\$ 1,977 927
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	20	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 7,093</u>	<u>\$ 6,196</u>	<u>\$ (26,466)</u>	<u>\$ 7,832</u>	<u>\$ 5,651</u>	<u>\$ 971</u>	<u>\$ 2,904</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	265
-	-	-	-	-	-	265
-	-	-	-	-	-	-
-	-	-	-	-	-	1,977
<u>7,093</u>	<u>6,196</u>	<u>(26,466)</u>	<u>7,832</u>	<u>5,651</u>	<u>971</u>	<u>662</u>
<u>7,093</u>	<u>6,196</u>	<u>(26,466)</u>	<u>7,832</u>	<u>5,651</u>	<u>971</u>	<u>2,639</u>
<u>\$ 7,093</u>	<u>\$ 6,196</u>	<u>\$ (26,466)</u>	<u>\$ 7,832</u>	<u>\$ 5,651</u>	<u>\$ 971</u>	<u>\$ 2,904</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

Special Revenue Funds

	County Grants	Snowmobile Enforcement Grant	Community Corrections Public Act	Dare Grant
ASSETS				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	18,177	1,407	7,902
Receivables:				
State of Michigan	-	-	15,307	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 18,177</u>	<u>\$ 16,714</u>	<u>\$ 7,902</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 269	\$ -
Due to other funds	-	12,000	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	-	1,394	-
Total liabilities	<u>-</u>	<u>12,000</u>	<u>1,663</u>	<u>-</u>
Fund balances:				
Reserved for:				
Prepaid items	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	-	6,177	15,051	7,902
Total fund balances	<u>-</u>	<u>6,177</u>	<u>15,051</u>	<u>7,902</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 18,177</u>	<u>\$ 16,714</u>	<u>\$ 7,902</u>

See accompanying notes to financial statements

Special Revenue Funds

Corrections Officers Training	Sheriff Road Patrol	Wrap Grant	Law Library	Juvenile Justice	FIA/MSU Grant	Commission on Aging
\$ -	\$ -	\$ -	\$ -	\$ 46	\$ -	\$ 1,105
2,668	-	-	1,005	-	2,340	129,233
-	9,284	1,672	-	2,500	6,615	-
-	-	-	-	-	-	922
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	861	-	1,444
<u>\$ 2,668</u>	<u>\$ 9,284</u>	<u>\$ 1,672</u>	<u>\$ 1,005</u>	<u>\$ 3,407</u>	<u>\$ 8,955</u>	<u>\$ 132,704</u>
\$ -	\$ -	\$ 1,148	\$ 276	\$ -	\$ 4,933	\$ 126
-	7,249	275	-	800	-	-
-	-	-	-	-	-	-
-	-	-	-	1,011	-	3,316
-	7,249	1,423	276	1,811	4,933	3,442
-	-	-	-	861	-	1,444
-	-	-	-	46	-	1,105
2,668	2,035	249	729	689	4,022	126,713
2,668	2,035	249	729	1,596	4,022	129,262
<u>\$ 2,668</u>	<u>\$ 9,284</u>	<u>\$ 1,672</u>	<u>\$ 1,005</u>	<u>\$ 3,407</u>	<u>\$ 8,955</u>	<u>\$ 132,704</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

	Special Revenue Funds			
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief
ASSETS				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,593	81	18,290	912
Receivables:				
State of Michigan	-	-	17,879	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 1,593</u>	<u>\$ 81</u>	<u>\$ 36,169</u>	<u>\$ 912</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	21,410	-
Accrued payroll	-	-	87	4
Total liabilities	<u>-</u>	<u>-</u>	<u>21,497</u>	<u>4</u>
Fund balances:				
Reserved for:				
Prepaid items	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	1,593	81	14,672	908
Total fund balances	<u>1,593</u>	<u>81</u>	<u>14,672</u>	<u>908</u>
Total liabilities and fund balances	<u>\$ 1,593</u>	<u>\$ 81</u>	<u>\$ 36,169</u>	<u>\$ 912</u>

See accompanying notes to financial statements

Special Revenue Funds			Debt Service Funds		
Michigan Veterans Trust	Maintenance of Effort - Medical Care Facility	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,052	274,365	368	106,779	15,204	119,389
74	-	5,511	-	-	-
-	-	-	-	-	-
-	437	-	339	54	402
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,126</u>	<u>\$ 274,802</u>	<u>\$ 5,879</u>	<u>\$ 107,118</u>	<u>\$ 15,258</u>	<u>\$ 119,791</u>
\$ -	\$ 8,649	\$ -	\$ -	\$ -	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,649	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,126</u>	<u>266,153</u>	<u>5,879</u>	<u>107,118</u>	<u>15,258</u>	<u>119,791</u>
1,126	266,153	5,879	107,118	15,258	119,791
<u>\$ 1,126</u>	<u>\$ 274,802</u>	<u>\$ 5,879</u>	<u>\$ 107,118</u>	<u>\$ 15,258</u>	<u>119,791</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
ASSETS				
Cash and equivalents:				
Restricted	\$ 6,512	\$ 21,946	\$ -	\$ 31,750
Unrestricted	-	9,133	6,867	727,836
Receivables:				
State of Michigan	-	-	-	64,356
Accounts	-	-	-	922
Accrued interest	-	-	-	1,280
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expense	-	-	-	3,166
Total assets	<u>\$ 6,512</u>	<u>\$ 31,079</u>	<u>\$ 6,867</u>	<u>\$ 829,310</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,425
Due to other funds	-	-	-	20,413
Due to other governmental units	-	-	-	21,410
Accrued payroll	-	-	-	6,871
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,119</u>
Fund balances:				
Reserved for:				
Prepaid items	-	-	-	3,166
Unreserved:				
Designated	6,512	21,946	-	31,586
Undesignated	-	9,133	6,867	729,439
Total fund balances	<u>6,512</u>	<u>31,079</u>	<u>6,867</u>	<u>764,191</u>
Total liabilities and fund balances	<u>\$ 6,512</u>	<u>\$ 31,079</u>	<u>\$ 6,867</u>	<u>\$ 829,310</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2006

	Special Revenue Funds			
	Brownfield Grant	Parks & Recreation	Drug & Alcohol Enforcement	Friend of the Court
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	19,971	-	-	44,351
State sources	-	-	-	-
Local sources	-	-	1,200	-
Charges for services	-	885	-	5,063
Interest and rentals	-	-	-	110
Other	-	12,631	-	-
Total revenues	19,971	13,516	1,200	49,524
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	8,764	-
Culture and recreation	-	22,428	-	-
Health and welfare	19,971	-	-	63,889
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	19,971	22,428	8,764	63,889
Excess revenues (expenditures)	-	(8,912)	(7,564)	(14,365)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	8,900	5,575	17,906
Transfer out	-	-	-	-
Total other financing sources (uses)	-	8,900	5,575	17,906
Net changes in fund balance	-	(12)	(1,989)	3,541
Fund balances - beginning	-	-	2,071	9,936
Fund balances - ending	\$ -	\$ (12)	\$ 82	\$ 13,477

See accompanying notes to financial statements

Special Revenue Funds

Probation Oversite	Family Counseling Services	Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	90,682	-	-	-	-
-	-	-	-	-	-	-
5,291	710	-	-	16,710	-	-
-	-	-	2,571	354	-	-
-	-	-	-	-	-	-
5,291	710	90,682	2,571	17,064	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	7,758
-	-	-	-	-	-	-
5,005	1,068	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	132,441	37	19,359	-	-
5,005	1,068	132,441	37	19,359	-	7,758
286	(358)	(41,759)	2,534	(2,295)	-	(7,758)
-	-	-	-	-	-	8,087
-	-	-	-	-	-	-
-	-	-	-	-	-	8,087
286	(358)	(41,759)	2,534	(2,295)	-	329
6,807	6,554	15,293	5,298	7,946	971	2,310
<u>\$ 7,093</u>	<u>\$ 6,196</u>	<u>\$ (26,466)</u>	<u>\$ 7,832</u>	<u>\$ 5,651</u>	<u>\$ 971</u>	<u>\$ 2,639</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2006

	Special Revenue Funds			
	County Grants	Snowmobile Enforcement Grant	Community Corrections Public Act	Dare Grant
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	28,464	-	-	-
State sources	-	5,833	78,072	-
Local sources	-	-	500	-
Charges for services	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	2,225	9,600	4,040
Total revenues	28,464	8,058	88,172	4,040
EXPENDITURES:				
Judicial system	-	-	83,007	-
General government	-	-	-	-
Public safety	28,464	6,524	-	1,464
Culture & Recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	28,464	6,524	83,007	1,464
Excess revenues (expenditures)	-	1,534	5,165	2,576
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	-	1,534	5,165	2,576
Fund balances - beginning	-	4,643	9,886	5,326
Fund balances - ending	\$ -	\$ 6,177	\$ 15,051	\$ 7,902

See accompanying notes to financial statements

Special Revenue Funds

Corrections Officers Training	Sheriff Road Patrol	Wrap Grant	Law Library	Juvenile Justice	FIA/MSU Grant	Commission on Aging
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,895
-	-	16,962	-	-	49,522	12,885
-	40,033	-	-	15,863	-	12,305
-	-	-	-	55	-	476
3,040	-	-	-	-	-	-
-	-	-	-	-	-	-
-	263	-	2,000	97	-	6,487
3,040	40,296	16,962	2,000	16,015	49,522	161,048
-	-	-	27,594	38,527	-	-
-	-	-	-	-	-	-
6,319	40,033	-	-	-	-	-
-	-	-	-	-	-	-
-	-	16,713	-	-	51,406	123,720
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,319	40,033	16,713	27,594	38,527	51,406	123,720
(3,279)	263	249	(25,594)	(22,512)	(1,884)	37,328
-	-	-	25,801	24,013	-	-
-	-	-	-	-	-	-
-	-	-	25,801	24,013	-	-
(3,279)	263	249	207	1,501	(1,884)	37,328
5,947	1,772	-	522	95	5,906	91,934
\$ 2,668	\$ 2,035	\$ 249	\$ 729	\$ 1,596	\$ 4,022	\$ 129,262

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2006

	Special Revenue Funds			
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	1,738	-	-
State sources	1,052	-	87,114	-
Local sources	-	-	-	-
Charges for services	-	-	3,429	-
Interest and rentals	-	-	-	-
Other	-	-	4,626	-
Total revenues	1,052	1,738	95,169	-
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	994	-	-	-
Culture & Recreation	-	-	-	-
Health and welfare	-	1,658	182,258	1,094
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	994	1,658	182,258	1,094
Excess revenues (expenditures)	58	80	(87,089)	(1,094)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	101,250	760
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	101,250	760
Net changes in fund balance	58	80	14,161	(334)
Fund balances - beginning	1,535	1	511	1,242
Fund balances - ending	\$ 1,593	\$ 81	\$ 14,672	\$ 908

See accompanying notes to financial statements

Special Revenue Funds			Debt Service Funds		
Michigan Veterans Trust	Maintenance of Effort - Medical Care Facility	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ 257	\$ -	\$ 87,327	\$ -	\$ 116,064
-	-	-	-	-	-
3,860	-	7,056	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	9,794	-	3,314	1,680	3,315
-	-	-	-	-	4,704
3,860	10,051	7,056	90,641	1,680	124,083
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,921	-	-	-
-	-	-	-	-	-
2,926	78,183	-	-	-	-
-	-	-	-	-	-
-	-	-	80,000	33,000	105,000
-	-	-	17,025	39,747	45,668
-	-	-	772	-	1,621
2,926	78,183	4,921	97,797	72,747	152,289
934	(68,132)	2,135	(7,156)	(71,067)	(28,206)
-	-	-	-	73,100	-
-	-	-	-	-	-
-	-	-	-	73,100	-
934	(68,132)	2,135	(7,156)	2,033	(28,206)
192	334,285	3,744	114,274	13,225	147,997
<u>\$ 1,126</u>	<u>\$ 266,153</u>	<u>\$ 5,879</u>	<u>\$ 107,118</u>	<u>\$ 15,258</u>	<u>\$ 119,791</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2006

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 332,543
Federal sources	-	-	-	173,893
State sources	-	-	-	341,870
Local sources	-	-	-	2,231
Charges for services	-	-	-	35,128
Interest and rentals	-	-	-	21,138
Other	-	-	-	46,673
Total revenues	-	-	-	953,476
EXPENDITURES:				
Judicial system	-	-	-	149,128
General government	-	-	-	-
Public safety	-	-	-	105,241
Culture & Recreation	-	-	-	22,428
Health and welfare	-	-	-	547,891
Capital outlay	3,722	259	22	4,003
Debt service:				
Principal	-	-	-	218,000
Interest	-	-	-	102,440
Other	-	-	-	154,230
Total expenditures	3,722	259	22	1,303,361
Excess revenues (expenditures)	(3,722)	(259)	(22)	(349,885)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	1,637	500	267,529
Transfer out	-	-	-	-
Total other financing sources (uses)	-	1,637	500	267,529
Net changes in fund balance	(3,722)	1,378	478	(82,356)
Fund balances - beginning	10,234	29,701	6,389	846,547
Fund balances - ending	\$ 6,512	\$ 31,079	\$ 6,867	\$ 764,191

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
September 30, 2006

	<u>Foreclosure</u>	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 24,539	\$ -	\$ -	\$ -
Unrestricted	453	1,041	1,994	147,277
Accounts receivable	1	-	-	-
Due from other funds	12,680	-	-	-
Prepaid expenses	-	-	861	-
	<u>37,673</u>	<u>1,041</u>	<u>2,855</u>	<u>147,277</u>
Total current assets				
Noncurrent assets:				
Delinquent taxes	-	-	-	-
Accrued interest on delinquent taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets				
	<u>\$ 37,673</u>	<u>\$ 1,041</u>	<u>\$ 2,855</u>	<u>\$ 147,277</u>
Total assets				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 125	\$ 618
Accrued payroll	-	-	1,794	-
	<u>-</u>	<u>-</u>	<u>1,919</u>	<u>618</u>
Total liabilities				
NET ASSETS				
Unrestricted	<u>37,673</u>	<u>1,041</u>	<u>936</u>	<u>146,659</u>
Total net assets	<u>37,673</u>	<u>1,041</u>	<u>936</u>	<u>146,659</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 37,673</u></u>	<u><u>\$ 1,041</u></u>	<u><u>\$ 2,855</u></u>	<u><u>\$ 147,277</u></u>

See accompanying notes to financial statements

<u>Summer Tax Collections</u>	<u>Tax Revolving 2000</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Tax Revolving Administration</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,539
2,547	555	13,677	97,786	9,729	275,059
-	-	30	326	-	357
-	352	352	18,045	-	31,429
-	-	-	-	-	861
<u>2,547</u>	<u>907</u>	<u>14,059</u>	<u>116,157</u>	<u>9,729</u>	<u>332,245</u>
-	-	1,070	989	-	2,059
-	3	55	380	-	438
-	3	1,125	1,369	-	2,497
<u>\$ 2,547</u>	<u>\$ 910</u>	<u>\$ 15,184</u>	<u>\$ 117,526</u>	<u>\$ 9,729</u>	<u>\$ 334,742</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743
-	-	-	-	-	1,794
-	-	-	-	-	2,537
<u>2,547</u>	<u>910</u>	<u>15,184</u>	<u>117,526</u>	<u>9,729</u>	<u>332,205</u>
<u>2,547</u>	<u>910</u>	<u>15,184</u>	<u>117,526</u>	<u>9,729</u>	<u>332,205</u>
<u>\$ 2,547</u>	<u>\$ 910</u>	<u>\$ 15,184</u>	<u>\$ 117,526</u>	<u>\$ 9,729</u>	<u>\$ 334,742</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2006

	<u>Foreclosure</u>	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>
OPERATING REVENUES:				
Charges for services	\$ 39,135	\$ 6,976	\$ 19,868	\$ -
State sources	-	-	4,429	-
Rental and interest income	205	12	-	-
Other	13,409	-	92	-
	<u>52,749</u>	<u>6,988</u>	<u>24,389</u>	<u>-</u>
Total operating revenue				
OPERATING EXPENSES:				
Salaries and fringes	-	-	58,253	-
Contracted services	14,339	-	-	2,644
Other	2,969	9,057	3,519	7
	<u>17,308</u>	<u>9,057</u>	<u>61,772</u>	<u>2,651</u>
Total operating expenses				
Operating income (loss)	<u>35,441</u>	<u>(2,069)</u>	<u>(37,383)</u>	<u>(2,651)</u>
NONOPERATING REVENUES (EXPENSES):				
Transfer in	-	-	19,000	-
Transfer out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>-</u>
Total nonoperating revenues (expenses)				
Change in net assets	35,441	(2,069)	(18,383)	(2,651)
Total net assets - beginning	<u>2,232</u>	<u>3,110</u>	<u>19,319</u>	<u>149,310</u>
Total net assets - ending	<u>37,673</u>	<u>\$ 1,041</u>	<u>\$ 936</u>	<u>\$ 146,659</u>

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 2000	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving Administration	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,979
-	-	-	-	-	4,429
-	167	1,317	18,100	-	19,801
-	23	82	2,452	-	16,058
-	190	1,399	20,552	-	106,267
-	-	-	-	-	58,253
-	-	-	-	-	16,983
250	-	10,000	72	149	26,023
250	-	10,000	72	149	101,259
(250)	190	(8,601)	20,480	(149)	5,008
-	-	-	-	-	19,000
-	-	(4,553)	(577,000)	-	(581,553)
-	-	(4,553)	(577,000)	-	(562,553)
(250)	190	(13,154)	(556,520)	(149)	(557,545)
2,797	720	28,338	674,046	9,878	889,750
\$ 2,547	\$ 910	\$ 15,184	\$ 117,526	\$ 9,729	\$ 332,205

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2006

	Foreclosure	Jail Commissary	Building Inspection Department	Buildings and Property
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 39,139	\$ 6,976	\$ 19,868	\$ -
Receipts from interest and rents	205	12	-	-
Cash received for collection of taxes	-	-	-	-
Other operating cash receipts	729	-	4,521	-
Payments to suppliers	(14,339)	-	-	(2,026)
Payments for wages and related benefits	-	-	(58,251)	-
Other operating cash payments	(2,969)	(9,057)	(3,939)	(7)
	<u>22,765</u>	<u>(2,069)</u>	<u>(37,801)</u>	<u>(2,033)</u>
Net cash provided (used) by operating activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	-	-	19,000	-
Transfer out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities				
Net increase (decrease) in cash and equivalents	22,765	(2,069)	(18,801)	(2,033)
Cash and equivalents, beginning of year	2,227	3,110	20,795	149,310
Cash and equivalents, end of year	<u>\$ 24,992</u>	<u>\$ 1,041</u>	<u>\$ 1,994</u>	<u>\$ 147,277</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	35,441	\$ (2,069)	\$ (37,383)	\$ (2,651)
Changes in assets and liabilities:				
(Increase) decrease in receivables	4	-	-	-
(Increase) decrease in due from other funds	(12,680)	-	-	-
(Increase) decrease in prepaid expenses	-	-	19	-
Increase (decrease) in accounts payable	-	-	(439)	618
Increase (decrease) in accrued payroll	-	-	2	-
	<u>(12,676)</u>	<u>-</u>	<u>(418)</u>	<u>618</u>
Total adjustments				
Net cash provided by operating activities	<u>\$ 22,765</u>	<u>\$ (2,069)</u>	<u>\$ (37,801)</u>	<u>\$ (2,033)</u>

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 2000	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving Administration	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ 112	\$ -	\$ -	\$ 66,095
-	-	1,317	34,091	-	35,625
-	-	1,431	47,173	-	48,604
-	23	-	2,452	2,155	9,880
-	-	-	-	-	(16,365)
-	-	-	-	-	(58,251)
(250)	-	(10,750)	(3,633)	(160)	(30,765)
(250)	23	(7,890)	80,083	1,995	54,823
-	-	-	-	-	19,000
-	-	(4,553)	(577,000)	-	(581,553)
-	-	(4,553)	(577,000)	-	(562,553)
(250)	23	(12,443)	(496,917)	1,995	(507,730)
2,797	532	26,120	594,703	7,734	807,328
<u>\$ 2,547</u>	<u>\$ 555</u>	<u>\$ 13,677</u>	<u>\$ 97,786</u>	<u>\$ 9,729</u>	<u>\$ 299,598</u>
\$ (250)	\$ 190	\$ (8,601)	\$ 20,480	\$ (149)	\$ 5,008
-	185	1,461	63,164	2,155	66,969
-	(352)	(352)	(2,363)	-	(15,747)
-	-	-	-	-	19
-	-	(398)	(1,198)	(11)	(1,428)
-	-	-	-	-	2
-	(167)	711	59,603	2,144	49,815
<u>\$ (250)</u>	<u>\$ 23</u>	<u>\$ (7,890)</u>	<u>\$ 80,083</u>	<u>\$ 1,995</u>	<u>\$ 54,823</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2006

	Computer	Postage Meter	Telephone	Motor Pool Police Vehicle
ASSETS				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 4,458	\$ -	\$ -	\$ 6,886
Unrestricted	-	11,955	1,464	1,053
Accounts receivable	-	-	7	-
Prepaid expenses	-	690	-	-
Total current assets	4,458	12,645	1,471	7,939
Noncurrent assets:				
Capital assets, net of accumulated depreciation	18,687	-	105	17,877
Total assets	\$ 23,145	\$ 12,645	\$ 1,576	\$ 25,816
LIABILITIES				
Current liabilities:				
Accounts payable	-	-	1,374	-
Due to other funds	108	-	-	-
Total liabilities	108	-	1,374	-
NET ASSETS				
Invested in capital assets	18,687	-	105	17,877
Unrestricted	4,350	12,645	97	7,939
Total net assets	23,037	12,645	202	25,816
TOTAL LIABILITIES AND NET ASSETS	\$ 23,145	\$ 12,645	\$ 1,576	\$ 25,816

See accompanying notes to financial statements

Total
Internal
Service
Funds

\$	11,344
	14,472
	7
	<u>690</u>

26,513

36,669

\$	<u><u>63,182</u></u>
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	1,374
	<u>108</u>

1,482

	36,669
	<u>25,031</u>

61,700

\$	<u><u>63,182</u></u>
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See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2006

	<u>Computer</u>	<u>Postage Meter</u>	<u>Telephone</u>	<u>Motor Pool Police Vehicle</u>
OPERATING REVENUES:				
Charges for services	\$ 385	\$ 4,262	\$ 1,751	\$ -
Other	28,647	-	-	302
Total operating revenue	<u>29,032</u>	<u>4,262</u>	<u>1,751</u>	<u>302</u>
OPERATING EXPENSES:				
Administrative fees	50,507	16,697	18,984	249
Depreciation	<u>9,351</u>	<u>-</u>	<u>188</u>	<u>4,875</u>
Total operating expenses	<u>59,858</u>	<u>16,697</u>	<u>19,172</u>	<u>5,124</u>
Operating income (loss)	<u>(30,826)</u>	<u>(12,435)</u>	<u>(17,421)</u>	<u>(4,822)</u>
NONOPERATING REVENUES (EXPENSES):				
Transfer in	<u>18,536</u>	<u>12,000</u>	<u>16,000</u>	<u>1,000</u>
Change in net assets	(12,290)	(435)	(1,421)	(3,822)
Total net assets - beginning	<u>35,327</u>	<u>13,080</u>	<u>1,623</u>	<u>29,638</u>
Total net assets - ending	<u><u>\$ 23,037</u></u>	<u><u>\$ 12,645</u></u>	<u><u>\$ 202</u></u>	<u><u>\$ 25,816</u></u>

See accompanying notes to financial statements

Total
Internal
Service
Funds

\$	6,398
	<u>28,949</u>
	<u>35,347</u>
	 86,437
	<u>14,414</u>
	<u>100,851</u>
	<u>(65,504)</u>
	 <u>47,536</u>
	 (17,968)
	<u>79,668</u>
\$	<u><u>61,700</u></u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2006

	Computer	Postage Meter	Telephone	Motor Pool Police Vehicle
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from interfund services provided	\$ 29,220	\$ 4,262	\$ 1,749	\$ 302.00
Cash payments to other suppliers of goods and services	<u>(50,475)</u>	<u>(14,159)</u>	<u>(19,194)</u>	<u>(249)</u>
Net cash provided (used) by operating activities	<u>(21,255)</u>	<u>(9,897)</u>	<u>(17,445)</u>	<u>53</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	<u>18,536</u>	<u>12,000</u>	<u>16,000</u>	<u>1,000</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchases of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	(2,719)	2,103	(1,445)	1,053
Cash and equivalents, beginning of year	<u>7,177</u>	<u>9,852</u>	<u>2,909</u>	<u>6,886</u>
Cash and equivalents, end of year	<u><u>\$ 4,458</u></u>	<u><u>\$ 11,955</u></u>	<u><u>\$ 1,464</u></u>	<u><u>\$ 7,939</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	<u>\$ (30,826)</u>	<u>\$ (12,435)</u>	<u>\$ (17,421)</u>	<u>\$ (4,822)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	9,351	-	188	4,875
Changes in assets and liabilities:				
(Increase) decrease in receivables	188	-	(2)	-
(Increase) decrease in prepaid expenses	-	2,634	-	-
Increase (decrease) in accounts payable	<u>32</u>	<u>(96)</u>	<u>(210)</u>	<u>-</u>
Total adjustments	<u>9,571</u>	<u>2,538</u>	<u>(24)</u>	<u>4,875</u>
Net cash provided by operating activities	<u><u>\$ (21,255)</u></u>	<u><u>\$ (9,897)</u></u>	<u><u>\$ (17,445)</u></u>	<u><u>\$ 53</u></u>

See accompanying notes to the financial statements

Total
Internal
Service
Funds

\$ 35,533

(84,077)

(48,544)

47,536

-

(1,008)

26,824

\$ 25,816

\$ (65,504)

14,414

186

2,634

(274)

16,960

\$ (48,544)

See accompanying notes to the financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2006

	General Trust and Agency	Probation Restitution	District Court Trust	Sheriff Inmate Trust
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 171,784	\$ 7,878	\$ 42,732	\$ 498
Receivables:				
Due from other governmental units	-	-	-	-
Other assets	-	-	-	-
Total assets	<u>\$ 171,784</u>	<u>\$ 7,878</u>	<u>\$ 42,732</u>	<u>\$ 498</u>
LIABILITIES				
Accounts payable	\$ 1,632	\$ -	\$ -	\$ -
Due to other funds	115,267	-	-	-
Due to other units governmental units	5,001	-	-	-
Undistributed taxes	3,447	-	-	-
Other liabilities	46,437	7,878	42,732	498
Total liabilities	<u>\$ 171,784</u>	<u>\$ 7,878</u>	<u>\$ 42,732</u>	<u>\$ 498</u>

See accompanying notes to financial statements

Payroll Trust and Agency	Library Fund	Retirement Fund	Housing Commission	Totals
\$ 2,000	\$ 13,380	\$ 45,786	\$ 61	\$ 284,119
-	6,072	-	6,410	12,482
863	-	-	1,510	2,373
<u>\$ 2,863</u>	<u>\$ 19,452</u>	<u>\$ 45,786</u>	<u>\$ 7,981</u>	<u>\$ 298,974</u>
\$ -	\$ -	\$ -	\$ 1,194	\$ 2,826
2,260	-	-	-	117,527
603	-	-	-	5,604
-	-	-	-	3,447
-	19,452	45,786	6,787	169,570
<u>\$ 2,863</u>	<u>\$ 19,452</u>	<u>\$ 45,786</u>	<u>\$ 7,981</u>	<u>\$ 298,974</u>

See accompanying notes to financial statements

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Schoolcraft County
Manistique, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Schoolcraft County as of and for the year ended September 30, 2006, which collectively comprise Schoolcraft County's basic financial statements and have issued our report thereon dated February 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Schoolcraft County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schoolcraft County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Schoolcraft County in a separate letter dated February 7, 2007.

This report is intended solely for the information and use of the board of commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

February 7, 2007



ANDERSON, TACKMAN & COMPANY, PLC

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Schoolcraft County
Manistique, Michigan

Compliance

We have audited the compliance of Schoolcraft County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Schoolcraft County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Schoolcraft County's management. Our responsibility is to express an opinion on Schoolcraft County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Schoolcraft County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Schoolcraft County's compliance with those requirements.

In our opinion, Schoolcraft County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Schoolcraft County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Schoolcraft County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting which we have reported to management of Schoolcraft County in a separate letter dated February 7, 2007.

This report is intended solely for the information and use of the board of commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

February 7, 2007

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2006

<u>Federal Grantor/Pass-through/Program Title</u>	<u>Federal CFDA #</u>	<u>Agency/Pass- through #</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security			
Passed through Michigan State Police, Emergency Management Division:			
Homeland Security Grant Program:			
2005 Homeland Security Grant Program	97.067		1,481
2004 Homeland Security Grant Program	97.004		21,955
2005 Law Enforcement Terrorism Prevention Program	97.067		5,028
2006 Emergency Management Performance Grant	97.042		1,778
2005 Emergency Management Performance Grant	97.067		711
Emergency Food & Shelter National Board Program	97.024		1,738
Passed through State of Michigan, Department of Labor & Economic Growth:			
MI Citizens Corps Grant	97.053	MCSC/ODPMCC/ F-35/04	16,652
Total U.S. Department of Homeland Security			49,343
U.S. Department of Health and Human Services			
Passed through State of Michigan Family Independence Agency:			
Family Support Payments to States - Assistance Payments	93.560		13,875
Child Abuse & Neglect Discretionary Activities	93.670		184
Temporary Assistance for Needy Families	93.558		16,962
Promoting Safe and Stable Families	93.556		49,522
Child Support Enforcement	93.563	CSFOC-06-77001 CSPA-06-77002	154,632
Passed through the Upper Peninsula Commission for Area Progress:			
Special Programs for the Aging - Title III, Part B	93.044		11,124
National Family Caregiver Support	93.052		1,761
Total U.S. Department of Health and Human Services			248,060
U.S. Environmental Protection Agency			
Direct payments:			
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-96597401-0	19,971

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2006

<u>Federal Grantor/Pass-through/Program Title</u>	<u>Federal CFDA #</u>	<u>Agency/Pass- through #</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2004-749-HOA	6,533
Home Investment Partnership Program	14.239	M-2003-749	<u>133,353</u>
Total U.S. Department of Housing and Urban Development			<u>139,886</u>
U.S. Department of Transportation			
Passed through the Michigan Department of Transportation:			
Formula Grants For Other Than Urbanized Areas	20.509		<u>236,038</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 693,298</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2006

NOTE A – OVERSIGHT AGENCY

The U.S. Environmental Protection Agency is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's direct federal financial assistance.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the grant activity of Schoolcraft County and is presented on the modified accrual basis of accounting.

NOTE C – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

NOTE D – FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	\$ 300,722
Federal expenditures per schedule of expenditures of federal awards	<u>693,298</u>
Difference	\$ (392,576)

Reconciling items:

Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:

Economic Development Corporation	139,886
Public Transit	236,038
Schoolcraft Memorial Hospital	<u>16,652</u>
Reconciled difference	<u><u>\$ -</u></u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Schoolcraft, Michigan.
2. There were no reportable conditions disclosed during the audit of the basic financial statements to be reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the basic financial statements of the County of Schoolcraft, Michigan disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal programs as reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the County of Schoolcraft, Michigan expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the County of Schoolcraft, Michigan.
7. The program tested as a major program included:
 - Home Investment Partnerships Program, CFDA #14.239
 - Formula Grants For Other Than Urbanized Areas, CFDA #20.509
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Schoolcraft, Michigan was not determined to be a low-risk auditee.

COUNTY OF SCHOOLCRAFT, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2006

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

	<u>Questioned Costs</u>
There were no findings for the current fiscal year.	\$ -

COUNTY OF SCHOOLCRAFT, MICHIGAN

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2006

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no prior year findings or questioned costs.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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Lindsay J. Behrend, CPA

REPORT TO MANAGEMENT

Schoolcraft County Board of Commissioners
Manistique, MI 49854

We have audited the financial statements of the County of Schoolcraft, Michigan for the year ended September 30, 2006 and have issued our reports thereon dated February 7, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated August 19, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatement, may exist and not be detected by us.

In planning and performing our audit, we considered County of Schoolcraft, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Schoolcraft, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Schoolcraft, Michigan's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its' major federal programs for the purpose of expressing an opinion on County of Schoolcraft, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Schoolcraft, Michigan's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by County of Schoolcraft, Michigan are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended September 30, 2006. We noted no transactions entered into by County of Schoolcraft, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the useful lives on fixed assets is based on management's past experience with useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives on fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Schoolcraft County's financial reporting process (that is, cause future financial statements to be materially misstated). Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial

Schoolcraft County Board of Commissioners
Manistique, MI 49854

statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Schoolcraft, Michigan auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit. However, we did encounter problems relating to the preparedness of Schoolcraft County at the time of our audit, which required us to delay the course of the audit until a later date.

In planning and performing our audit of the financial statements of County of Schoolcraft, Michigan for the year ended September 30, 2006, we considered County of Schoolcraft, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated February 7, 2007, on the financial statements of County of Schoolcraft, Michigan

This information is intended solely for the use by the Board of Commissioners and the management of Schoolcraft County, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 7, 2007

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2006

BUDGET VIOLATION

Comment:

The Board of Commissioners did not adopt the 2006-2007 fiscal budget until after September 30, 2006, on October 12, 2006.

Recommendation:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget prior to the beginning of the fiscal year for the General Fund and Special Revenue Funds.

COUNTY BUDGET POLICY

Comment:

The purpose of the Budget Act is to require that all local units of government in Michigan adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process.

Recommendation:

In order to assist in meeting the requirements of the Budget Act, we recommend the County establish a policy which addresses the requirements of the Budget Act. Such a policy should establish a timeline relating to the preparation and adoption of the County budget. Also, the policy should designate who is responsible for monitoring the budget throughout the fiscal year in order to recommend, and the County Board approve, any amendments to the budget deemed necessary as required by the Budget Act.

DEFICIT FUND BALANCES

Comment:

At September 30, 2006, the Parks & Recreation and Survey & Remonumentation funds had deficit fund balances in the amounts of \$12 and \$26,466, respectively. A deficit fund balance is violation of Public Act 275.

Recommendation:

We recommend the County submit a Deficit Reduction Plan to the State of Michigan as required by Public Act 275.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2006

COUNTY CASH RECONCILIATIONS

Comment:

The co-mingled cash accounts of the County were not reconciled on a timely basis between June 2006 and September 2006.

Recommendation:

We recommend all bank accounts of the County be reconciled on a timely basis (upon receiving the bank statements from the banking institutions).

COOPERATIVE REIMBURSEMENT REPORTS

Comment:

We noted monthly Title IV-D Cooperative Reimbursement Expenditure Reports, which were submitted later than fifteen (15) business days after the month of service provided.

Recommendation:

We recommend all monthly expenditure reports be submitted within the fifteen (15) day requirement to insure reimbursement is received on a timely basis.

CHILD CARE FUND

Comment:

1. We noted state reimbursement revenue being posted to the general ledger as a reduction to fund expenditures.
2. We noted double payments made from the Child Care Fund on three occasions.

Recommendation:

We recommend all fund revenues and expenditures be classified separately as such, in order to properly report the activity of the Child Care Fund. Also, we recommend more of an effort be made to reconcile payments made from the Child Care Fund to prevent overpayments.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2006

GRANT ACTIVITY IN A TRUST & AGENCY FUND

Comment:

We noted the grant activity of the MI Citizens Corps and Fingerprint Grants recorded in the General Trust & Agency Fund.

Recommendation:

Because trust and agency funds do not report revenues and expenditures, grant revenue and expenditures are not being reported. We recommend all activities relating to the various grants of the County be recorded in the General Fund or an appropriate special revenue fund, such as the County Grant Fund.

ACCUMULATED SICK & VACATION

Comment:

We noted accumulated vacation hours which did not total correctly, where some employees were shorted vacation hours and others did not have hours taken subtracted from their total.

Recommendation:

These errors have been subsequently corrected upon our request. However, because accumulated sick and vacation hours can result in a significant liability of the County, we recommend accumulated hours of employees be reviewed by the Clerk to assist in detecting any errors relating to the accumulation of hours. This review by the Clerk, which can be performed on a periodic basis, provides additional oversight and strengthens the internal controls over the recording and reporting of accumulated hours.

BOARD MINUTES

Comment:

During our reading of the Board of Commissioners and Finance Committee minutes, we noted the following:

1. There were meeting minutes missing from the file.
2. There were meeting minutes labeled as "draft" in the file, and never finalized.
3. There were meeting minutes lacking approval signatures by board members.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Recommendation:

We recommend more of an effort be made to maintain a complete set of meeting minutes for the Board to properly record the actions taken during these meetings. And to also document the approval of these minutes with appropriate board member signatures at the time of board approval.

PAYROLL TIME SHEET ERRORS

Comment:

During our tests of the payroll system, we noted two instances where the employee's time sheet did not correctly total, and subsequently, the employee was paid inaccurately.

Recommendation:

We recommend all time sheets be examined for accuracy prior to payroll, in order to insure the proper amount of wages is being paid to the employee.

PUBLIC TRANSIT

Comments and Recommendations:

1. Fare box Collections – We noted during our audit that lockboxes are not used on the buses and that drivers maintain their own log sheets. This creates a risk of unrecorded fares. We recommend the drivers begin using the lockboxes to further enhance the internal controls over fare box collections.

We noted fare box receipts are not always deposited with the County on a timely basis. Frequently, there are substantial amounts of fare box receipts kept at the Transit office prior to deposit. We recommend deposits be made on a more timely basis and cash held at the Transit office be kept to a minimum.

We also noted fare cards sold did not always track from the driver log summaries to the County transmittal advice. We recommend an effort be made to reconcile the fare cards sold, as listed on the driver logs, to the County transmittal advice.

2. Board Minutes – During our review of the board minutes, we noted the minutes were not signed. We recommend that each month's board minutes be signed by the board secretary once these minutes have been approved.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2006

DISTRICT COURT TRANSMITTALS

Comment:

1. The District Court is currently transmitting funds to the County Treasurer on a monthly basis.
2. The District Court is making payments to the State directly out of the District Court trust account, resulting in these funds not being deposited with the County Treasurer.

Recommendation:

We recommend all funds received by District Court be deposited with the County Treasurer on a weekly basis in order to strengthen the internal controls over these funds.

MEDICAL CARE FACILITY

Comment:

During the audit, we noted that the Medical Care Facility does not receive interest income from the cash balance maintained with the County Treasurer. This has been done over the years as a substitute for indirect charges for the County Treasurer's services.

Recommendation:

We recommend that the Facility Board pursue obtaining interest income from the County and to pay the appropriate indirect charges for the County Treasurer's services. The indirect charges would affect the Facility's cost calculation and could result in additional reimbursement revenue.